

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**SB 3086 - HB 3591**

February 16, 2010

**SUMMARY OF BILL:** Effective January 1, 2011, codifies the Governor's Office of Diversity Business Enterprise (GoDBE) as established by Executive Order 14. Establishes the "Tennessee Small Business and Diversity Business Enterprise Procurement and Contracting Opportunity Act" which requires the Commissioner of the Department of General Services (DGS) to develop a plan to maximize participation by Tennessee small businesses in state agency contracting and procurement. Establishes a minimum goal for each department of 20 percent of all contracts awarded for services and goods to be with Tennessee small businesses. Requires that each department report the number of purchases orders or contracts awarded to Tennessee small businesses to GoDBE on a monthly basis. Requires the Commissioner to report purchases made from Tennessee small, minority, or woman owned businesses during the preceding fiscal year to the Governor and the General Assembly by December 31 of each year. Requires the Commissioner to promulgate regulations authorizing a preference to be given to Tennessee small business during the evaluation of proposals for state contracts. Establishes a sliding scale of percentage of preference given based on the total dollar amount of the contract being awarded. Establishes a two percent preference on all construction contracts with a value of over \$2,000,000. Requires DGS to provide training programs and educational activities which assist Tennessee small businesses in competing for contracts with the state.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures – Exceeds \$3,200,000/FY10-11  
Exceeds \$6,400,000/FY11-12 and Subsequent  
Years**

**Assumptions:**

- According to DGS, any costs associated with the promulgation of rules, and establishing and providing education and training programs for small businesses can be accommodated within existing resources without an increased appropriation or reduced reversion.
- Fiscal Review staff collected information from the contracting agencies in the state to determine the current total obligation for contracts for the state. The total value of contracts is estimated to be \$25,459,908,814.
- Contracting agencies include the Departments of General Services, Transportation, and Finance and Administration (including the Office of Contracts Review and the State

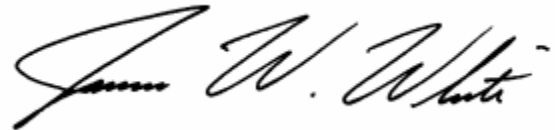
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Building Commission). The total amount does not include interdepartmental agreements or contracts for higher education.

- An estimated 10 percent (\$2,545,990,881) of the total value of contracts are awarded to businesses that are eligible for a preference percentage but who did not have the lowest cost proposal. The value of the preference given was one percent (\$25,459,909) divided across a three-year contract term for an annual cost of \$8,486,636. Seventy-five percent of this contract allocation is spent during the year resulting in an increase in state expenditures of \$6,364,977. Given the effective date of January 1, 2011, the estimated increase in expenditures for FY10-11 will be one-half the subsequent years or \$3,182,488.50.

### **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

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